COMMITTEE ON FINANCE
NEWS RELEASE
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For Immediate Release
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(202) 224-4515

BAUCUS, GRASSLEY QUESTION AIRLINE PENSION PROVISION

Senators call on CEOs to explain benefit added late to supplemental spending bill

Washington, DC – U.S. Senators Max Baucus (D-Mont.) and Chuck Grassley (R-Iowa), Chairman and Ranking Republican Member of the Senate Finance Committee, called on the CEOs of American and Continental Airlines to detail the benefits their companies will receive from a last-minute provision added to the supplemental spending bill in conference. The Senate and House spending bills did not contain the proposal that allows the two companies to make reduced contributions to workers' pension plans. Nor did the Senate Finance Committee, which has jurisdiction over pension issues, approve the provision.

"These two airlines flew around the Finance Committee to get this pension provision in the spending bill, but we will review in the light of day exactly what deal they got," said Baucus. **"As Chairman of the committee with jurisdiction over pension issues, I intend to see whether this provision is making real and fair improvements to the airline pension system."**

"The committees of jurisdiction spent many months working on a pension bill that took each airline's status into account," Grassley said. **"We also took into account the taxpayers who will have to bail out any underfunded airline pension plan. Now these two airlines and their allies in Congress have undermined that work. Chairman Baucus and I need to learn about the consequences of that action."**

The text of the Senators' separate letters to the CEOs follows.

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June 6, 2007

Mr. Gerard J. Arpey
Chairman and CEO
AMR Corporation American Airlines Inc.
PO Box 619616
Dallas, TX 75261-9616

Mr. Larry Kellner
Chairman and CEO
Continental Airlines, Inc.
P.O. Box 4607
Houston, Texas 77210-4607

Dear Mr. Arpey/Mr. Kellner,

As you know, section 6615 of H.R. 2206, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007, included funding relief for certain plans of air carriers. The provision permits pension plans of air carriers that continue to accrue benefits for active workers to use an interest rate of 8.25% to calculate the plans' target liability for ten years, beginning with the first plan year beginning after December 31, 2007. This proposal was not included in either the Senate or House versions of H.R. 2206, which were to be reconciled in conference. In fact, this proposal was never considered by the Finance Committee or other committees of jurisdiction or passed by the Senate. We are requesting that you provide us with information necessary to analyze the impact of this proposal on the retirement security of your workers and retirees.

By June 15, 2007, please provide us with the following information for each of the plan years beginning in 2008 through 2017 for each plan eligible for the relief in section 6615 of H.R. 2206:

- Projected minimum required contributions determined without regard to the additional relief in H.R. 2206.

- Projected minimum required contributions based on the H.R. 2206 provision.

Normal cost and shortfall amortization payments should be shown separately. Please include a description of the assumptions used to make your projections.

In addition, for each plan eligible for the relief, provide the following information on plan participants:

- The number of active, retired, and terminated vested participants in each plan.

- The number of participants in each category with accrued benefits in excess of the amount PBGC would guarantee if the plan terminated in a distress termination on the most recent valuation date, and the amount of such excess.

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Finally, for each of the executives treated as “covered employees” under Code section 162(m) for the most recent taxable year, provide a copy of any current agreements relating to performance-based compensation. Please comment on whether or not reduced pension contributions could increase performance-based compensation, and if not, why not. In addition, provide a list of each nonqualified deferred compensation plan sponsored by your respective companies, and a list of the employees covered under each arrangement. Please detail the manner in which your companies credit interest earnings on employees’ nonqualified deferred compensation under each plan. Also, please certify that any stock option granted to any employee was not subject to “backdating.”

If you have any questions, you should contact Judy Miller or Chris Condeluci on the Finance Committee staff at (202) 224-4515.

Sincerely,

Max Baucus	Charles Grassley
Chairman	Ranking Member

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